

Message Text

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ACTION EUR-12

INFO OCT-01 NEA-10 ISO-00 AID-05 CIAE-00 COME-00 EB-07

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SUBJ: FURTHER DEVELOPMENTS IN IRAN--TURKEY COOPERATION

REF: ANKARA 4536

1. THERE HAS BEEN EXTENSIVE PRESS COMMENTARY ON THE RECENTLY
CONCLUDED THREE DAY VISIT (OCT. 15-18) OF IRANIAN MINISTER OF
FINANCE AND ECONOMIC AFFAIRS ANSARI TO TURKEY. THE PROTOCOL
SIGNED AT THE CONCLUSION OF THE TALKS HELD BETWEEN ANSARI
AND TURKISH DEPUTY PREMIER FEYZIOGLU HIGHLIGHTS PROGRESS MADE
ON JOINT ECONOMIC COOPERATION PROJECTS SINCE PRESIDENT KORUTURK'S
VISIT TO IRAN IN JUNE 1975. THE IRANIANS APPEAR TO HAVE
ACCEPTED THE TURKISH THESIS THAT THE VAST IMPROVEMENT IN TRANSIT
INFRASTRUCTURE NEEDED TO FACILITATE THE MOVEMENT OF IRANIAN
IMPORTS ACROSS TURKEY REQUIRES CONCESSIONARY IRANIAN FINANCING.
PROJECTS ACCEPTED IN PRINCIPLE BY THE TWO PARTIES INCLUDE
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ROAD, HARBOR AND RAIL IMPROVEMENTS AND JOINT PAPER AND AGRO-

INDUSTRIAL PROJECTS IN EASTERN TURKEY. FINANCING PROJECTS OF THIS SIZE WILL REQUIRE \$1.2 BILLION OVER THE NEXT FIVE YEARS IN IRANIAN LOANS AND FINANCIAL GUARANTEES.

SEFVIK ONAT, DEPUTY DIRECTOR, BILATERAL ECONOMIC AFFAIRS, MINISTRY OF FOREIGN AFFAIRS AMPLIFIED FURTHER ON THE ANSARI-FEYZIOGLU MEETING FOR AN EMBOFF. ONAT POINTED OUT THAT MEETING IRANIAN REQUIREMENTS TO MOVE 2 MILLION TONS OF CARGO BY TRUCK, 1 MILLION TONS BY RAIL AND 1 MILLION TONS THROUGH TURKISH PORTS ANNUALLY BY 1980 WILL REQUIRE AN INVESTMENT OF \$600 MILLION. THE \$1.2 BILLION FIGURE USED IN THE ANSARI-FEYZIOGLU PROTOCOL IS AN EDUCATED ESTIMATE BASED ON INITIAL FEASIBILITY STUDIES FOR ALL PROJECTS DISCUSSED, INCLUDING THOSE OTHER THAN TRANSPORTATION. SEPARATE LOAN AGREEMENTS FOR EACH PROJECT WILL BE SIGNED LATER AFTER DETAILED FEASIBILITY STUDIES HAVE BEEN CARRIED OUT. IN PRINCIPLE, THE TWO SIDES AGREED THAT LOANS FOR INFRASTRUCTURE WILL BE LONG-TERM (20 YEARS) AT CONCESSIONAL (2.5 PERCENT) RATES. IT IS EXPECTED HOWEVER THAT PROJECTS SUCH AS THE PAPER MILL AND MEAT COMPLEX WILL BE FINANCED AT COMMERCIAL OR NEAR-COMMERCIAL RATES.

3. THE MAJOR ROAD PROJECT OF 675 KILOMETERS TO BE STARTED IN 1976 IS IMPROVEMENT OF TRABZON-ASKALE-ERZURUM HIGHWAY ROAD, INCLUDING TWO MAJOR TUNNELS NEAR GUMUSHANE, AND CONSTRUCTION OF A NEW HIGHWAY FROM ERZURUM-AGRI-DOGUBAYAZIT-IRAN BORDER. TURKEY WILL ALSO WIDEN THE HIGHWAY FROM EDIRNE TO ISTANBUL, FINISH THE ISTANBUL-IZMIT SUPER-HIGHWAY AND IMPROVE ACCESS THROUGH ISTANBUL. IN ADDITION, TURKEY HAS DRAWN UP PRELIMINARY PROPOSALS TO IMPROVE ROADS FROM MERSIN-GAZIANTEP-BITLIS-ESENDERE(BORDER) AND ISKENDERUN-GAZIANTEP-URFA-HAKKARI-ESENDERE TO MOVE INCREASED IRANIAN CARGOS EXPECTED AT THE SOUTHERN TURKISH PORTS OF ISKENDERUN AND MERSIN.

4. MAJOR HARBOR PROJECT IS EXPANSION OF TRABZON FROM PRESENT 500,000 TONS ANNUALLY CAPACITY TO 1 MILLION TONS. EXTRA 500,000 TONS WILL BE USED EXCLUSIVELY FOR IRANIAN CARGO.

5. RAIL PROJECTS INCLUDE IMMEDIATE PURCHASE OF TWO ADDITIONAL RAIL FERRIES FOR LAKE VAN AND FEASIBILITY STUDIES FOR CONSTRUCTION OF RAIL LINK BETWEEN VAN AND TATVAN. NEW RAIL FERRIES AND PIER LIMITED OFFICIAL USE

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FACILITIES WILL ALSO BE NEEDED AT ISTANBUL TO MOVE INCREASED FREIGHT LOADS ACROSS BOSPHORUS.

6. ACCORDING TO ONAT, IRAN WILL EXTEND A \$30 MILLION CREDIT IMMEDIATELY FOR PURCHASE OF MORE POWERFUL LOCOMOTIVES TO INCREASE TURKISH RAIL CAPACITY AND ANOTHER \$30 MILLION CREDIT FOR THE PURCHASE OF NEW HIGHWAY EQUIPMENT TO BUILD THE NEW ROADS PLANNED.

7. OTHER MAJOR PROJECTS PLANNED ARE A 150,000 TON PER YEAR PAPER MILL AT ARTVIN COSTING \$250 MILLION AND A \$150 MILLION AGRO-INDUSTRY COMPLEX IN EASTERN TURKEY TO PROVIDE MEAT FOR EXPORT TO IRAN. IRAN HAS ALSO AGREED TO IMPORT \$40 MILLION ANNUALLY OF TURKISH FRESH FRUITS AND VEGETABLES, PROCESSED FOOD, CEMENT AND OTHER INDUSTRIAL COMMODITIES.

8. ONAT STRESSED THAT BOTH COUNTRIES HAD PUT IN AN ENORMOUS AMOUNT OF WORK TO HAVE PROJECT PROPOSALS READY BY DATE OF SHAH'S VISIT ON OCTOBER 28. GOT EXPECTS SHAH TO CONFIRM AGREEMENT AT THAT TIME. WHEN ASKED WHETHER SHAH MIGHT HAVE OTHER ANNOUNCEMENTS TO MAKE ON OIL SALES, GAS PIPELINE OR JOINT DEVELOPMENT OF MILITARY INDUSTRY, ONAT POINTED OUT THAT WHILE HE DID NOT (REPEAT NOT) KNOW "WHAT THE SHAH MIGHT HAVE UNDER HIS HAT," NO (REPEAT NO) JOINT WORK ON MILITARY INDUSTRY HAD BEEN CARRIED OUT SINCE THE KORUTURK VISIT TO IRAN IN JUNE.
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